

# City of Seattle

## Office of City Auditor



Susan Cohen, City Auditor

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January 30, 2003

To: Joe Valentine, Acting Director, Human Services Department  
Gary Zarker, Superintendent, Seattle City Light

From: Susan Cohen, City Auditor *SC*

Subject: Seattle City Light Low-Income Rate Assistance Program Review

The Office of City Auditor began a review of the Low-Income Rate Assistance Programs administered by the Mayor's Office for Senior Citizens (MOSC) in September 2002<sup>1</sup>. The review focused on the effectiveness and efficiency of MOSC's administration of rate assistance programs, including its efforts to reach and serve eligible participants. We offer suggestions for improving outreach, refining written procedures and guidelines, improving equipment for processing applications, and evaluating controls on eligibility decisions. We appreciate the cooperation and responsiveness of Seattle City Light (SCL) and MOSC management and staff during this review process.

As a result of our review, we concluded that MOSC is generally managing the rate assistance programs effectively, and is attempting to improve operational efficiencies with a newly consolidated, smaller rate assistance team. Three rate assistance programs have been recently consolidated under the MOSC. MOSC management is already addressing many of the observations we share below. We bring them to your attention in support of the work underway to improve the newly consolidated program.

We examined MOSC's administration of three low-income rate assistance programs by assessing its:

- Compliance with federal and state laws that permit rate assistance programs, and the authorizing City ordinances;
- Adherence to the Memorandum of Agreement between SCL and the Human Services Department for administering the rate assistance programs;
- Conformance with best management practices, as described in Internal Controls – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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<sup>1</sup> MOSC has administered the senior citizens rate assistance program since 1977. The other rate assistance programs have been administered either by MOSC or by the broader department in which MOSC has been located over the years (currently MOSC is in the Human Services Department).

We reviewed the MOSC's mission, key outputs and outcomes, performance measures, policies and procedures, workload reports, staff experience and training, and work processes. We observed several staff meetings, observed intake representatives doing their work, and interviewed a number of employees of MOSC and SCL. We also researched similar programs in other jurisdictions to compare rate assistance services offered to low-income ratepayers.

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## **Background on the Rate Assistance Programs**

We reviewed three City programs for assisting low-income electric customers with their Seattle City Light electric bill payments: rate 26, rate 27, and Project Share. The Mayor's Office for Senior Citizens (Office) currently administers all three programs for Seattle City Light.

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**Rate 26 for Seniors and People with Disabilities:** This program establishes a discounted electric rate for eligible low-income seniors and persons with disabilities. In 1977, Ordinance 104472 exempted senior citizens from a rate surcharge imposed that year. Over the years the amount of benefit has been modified. In 1983 the rate 26 program was extended to people with disabilities and other low-income customers (Ordinance 111243). In 1993 the amount of subsidy was raised to 50 percent of the residential rate (Ordinance 116619). In the last two years the City has raised electric rates dramatically for most customers. Rates 26 and 27 were exempted from these increases, so rate 26 is now an even smaller proportion (approximately 40 percent) of the standard residential rate. Income eligibility is 70 percent of Washington State median income for seniors and persons with disabilities. Some subsidized housing (mainly Seattle Housing Authority and Section 8 housing) provides a discount on rent for a utility allowance. Residents of such housing are not eligible for rate 26 or rate 27. The costs of rate 26 are spread across all ratepayers through the rate design.

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**Rate 27 for Low-Income Households:** In 1995, Ordinance 117490 established a separate "rate 27" for low-income customers who were neither seniors nor disabled. The income ceiling for rate 27 (200 percent of federal poverty level) is somewhat lower than the ceiling for rate 26 for seniors and persons with disabilities (70 percent of Washington State median income). The subsidy established for rate 27 is the same as for rate 26, (currently about 40 percent of the standard residential rate). As with rate 26, the costs of rate 27 are spread across all ratepayers through the rate design.

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**Project Share:** Project Share, established by declaration of the Mayor in May 1983, is funded by public donations (generally, Seattle City Light customer contributions). Awards from these donated funds help recipients pay portions of overdue electric bills. Income eligibility and other guidelines for Project Share are established by agreement between Seattle City Light and the Human Services Department. Since the funds are not public funds, the income eligibility level can be higher than for other rate assistance programs.<sup>2</sup> Currently, the income ceiling is 70

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<sup>2</sup> The Washington State Constitution Article VIII, Section 7, states that "No county, city, town or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual,

percent of Washington State median income, with a waiver available for incomes up to 80 percent of Washington State median income under hardship circumstances such as catastrophic illness or loss of a job. Recipients are limited to one award in each 12-month period, and they must make partial payment from their own resources.

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**Program Administration:** The Human Services Department administers the rate assistance programs. As of October 1, 2002, these programs were consolidated under the Human Services Department in the Mayor's Office for Senior Citizens (Office). Before this the Office administered only the rate 26 program for seniors and persons with disabilities, while the Human Services Department Credit Liaison unit administered rate 27 and Project Share. Seattle City Light shares the programs' administration costs with Seattle Public Utilities, which offers similar rate subsidy programs, under a memorandum of understanding with the Human Services Department. In 2002, Seattle City Light and the Human Services Department together paid \$1 million to the Human Services Department for administering the three programs.

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## Observations and Suggestions

Our observations and suggestions cover four areas: outreach; written procedures, guidelines, and training; processing applications; and assessing and recertifying eligibility.

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### Outreach

**Observation #1.** In 2001 the City Council provided one-time funding to the Human Services Department for outreach to potential new rate assistance program participants. Without such targeted outreach programs, Seattle City Light and the Office may not be able to reach as many eligible people—especially those who have difficulties with mental functioning, reading, hearing, language, or mobility.

The City Council has wanted to ensure that low-income utility customers eligible for rate assistance are aware of the rate assistance programs and know how to access the benefits.<sup>3</sup> The Council provided extra funds for outreach in 2001, and revised eligibility guidelines for rate 27 to include more people.<sup>4</sup> Following special outreach efforts of Seattle City Light and the Office in 2001 and 2002, the number of program participants has increased by 26 percent (from about 11,000 to more than 14,000 in all three programs). However, census data suggest that there may be 4,000 or more additional eligible households in the City. Until additional census data is

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association, company or corporation, except for the necessary support of the poor and infirm, or become directly or indirectly the owner of any stock in or bonds of any association, company or corporation.” [Emphasis added.]

<sup>3</sup> See Ordinance 120275, passed 2/26/01; Ordinance 120322, passed 4/16/02; and Ordinance 120253, passed 1/29/01 for the Council's recent policy direction and funding decisions regarding the rate assistance programs.

<sup>4</sup> Ordinance 120274, passed 2/26/01, increased the income eligible for rate 27 from 125 percent of federal poverty level to 200 percent. This made many more households eligible for the discounted rate.

published in the spring of 2003, it is difficult to determine the population of customers eligible for the rate assistance programs.<sup>5</sup>

The one-time funding was used for special outreach methods targeted at reaching eligible people who were elderly, disabled, and/or very poor.<sup>6</sup> The Office management expects to exhaust the extra funding in 2003, and the program staff has been cut from 16 for the previous two programs to 13 in the newly consolidated programs. Consequently, fewer Office staff hours are being spent outside the office in outreach efforts.

Intake representatives provide various types of personalized assistance to customers including follow-up mailings, reminder phone calls, and referrals to nonprofit service providers in the community who can assist with filling out forms. Nevertheless, many potential eligible customers may still have difficulty completing and submitting the required forms and documentation. The Office staff is considering simplifying the application process for rate 27, which requires more documentation than rate 26 and Project Share (for example., photocopies of wage statements and rent receipts). The Office intake representatives are charged with ensuring that only eligible applicants receive the benefits. Within that constraint, they are seeking ways to make the application process as simple as possible to attract more applicants.

Special outreach efforts funded by the City Council in 2001 included trained providers in the community, dissemination of multilingual materials, and a continuing (though less frequent) Office presence at locations in the community. There will be some residual effect from these outreach efforts. However, there is considerable turnover in the population needing rate assistance. With the passage of time, there is likely to be increasing difficulty reaching new elements of the eligible population. The Office will need to continue seeking creative ways to reach people and simplify the process to be effective with its reduced staff.

**Suggestion.** Seattle City Light and the Mayor's Office for Senior Citizens should continue to explore additional cost-effective outreach methods tailored to reach customers with limited abilities to access and process information. This may require finding more ways to provide personalized assistance and outreach. For example, the Office now contracts services through nonprofit service providers in the community. Information about the rate assistance programs could be incorporated into already-existing outreach channels.

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<sup>5</sup> From the census data currently available we can estimate that there are approximately 18,000 households at 100 percent of federal poverty level in the City not served by Seattle Housing Authority assistance (and thus eligible for the rate assistance programs). Two hundred percent of federal poverty level for a family of two is \$23,000. There are more than 60,000 households in the City earning \$23,000 or less. However, we cannot tell from the data what their household size is. We expect publication of census data in March 2003 showing income by household size. This will permit a more precise estimate of the number of eligible households. We will revisit this estimate when the new data is available, and provide this information to the recipients of this letter.

<sup>6</sup> Outreach methods included fliers published in many languages, Braille, audiocassettes, radio interviews on a station for the blind, web page links to other organizations, referrals from Seattle City Light credit and customer relations staff, notices included in electric bill mailings that mention the program, intake representatives who speak multiple languages, information tables in grocery stores in low-income neighborhoods, placement of Office staff at key Neighborhood Service Centers on a regular basis, the Office participation in community fairs and festivals, and Office presentations to community centers, senior centers, and social services providers.

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## Written Procedures, Guidelines, and Training

**Observation #2:** The written procedures for the rate assistance programs vary in their completeness.

- The procedures for rate 26 are reasonably thorough, and explain the steps an intake representative follows to review an application. Steps expected for “pursuing” an applicant who does not complete the application process are less clear and could be improved.
- The procedures for rate 27 include the essential technical information. However, a new employee would benefit from a step-by-step description of the application process.
- Written guidance for employees learning to process applications for Project Share is insufficient.

The three rate assistance programs are unique, and the governing requirements are highly technical. The staff administering the programs must know the laws, guidelines, and procedures for each program. The program manager decided to cross-train all staff in all programs for maximum efficiency, given the smaller number of staff in the recently consolidated program. To train staff unfamiliar with a program, the Office rate assistance unit relies primarily on mentoring by experienced staff. Quality mentoring and training is provided by the experienced staff. However, the unexpected loss of even one intake representative would handicap the unit in responding to applicants, especially for Project Share, which requires intake staff to exercise judgment. While written procedures exist for each program, they vary in completeness, and in their current condition, they are a poor substitute for an experienced mentor.

**Suggestion:** The Mayor’s Office for Senior Citizens should carefully document the procedures used by the experienced staff in each program, and write or refine procedures and guidelines that could be used by novice staff in the absence of experienced mentors. It should ensure that the procedures clearly explain exceptions and steps for following up on incomplete or pending applications. It should also clarify the policy on “pursuing” customers versus placing the responsibility primarily on the customer to return a complete application.

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**Observation #3.** Seattle City Light and the Mayor’s Office for Senior Citizens mutually established basic guidelines for determining Project Share awards. However, further review of award limits for individual customers is needed to avoid depletion of the fund.

Because there are many unique circumstances relating to need, the Office intake representatives have considerable discretion to decide the amount of money awarded (“pledged”) under the Project Share program. Seattle City Light provided us with “Project Share Program Guidelines” that establish eligibility criteria and guidelines for awards. However, the document is not dated or signed, leaving it unclear who has approved the guidelines. Furthermore, some Office intake representatives were unfamiliar with this published version of the guidelines.

Upon receiving responsibility for Project Share, the Office Director met and developed an agreement with Seattle City Light staff about the basic policies and procedures for administering Project Share (see the attached memorandum dated November 11, 2002). The Office Director expressed concerns about some of the provisions in the policies and procedures, since they could result in a rapid depletion of current Project Share funds. Lack of clarity and agreement about the guidelines could lead to inequitable and/or inconsistent awards of the Project Share funds.

**Suggestion.** Seattle City Light and the Mayor's Office for Senior Citizens should formalize Project Share's guidelines to ensure that employees in both departments fully understand and implement the guidelines.

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### **Processing Applications**

**Observation #4.** The Office computers cannot adequately handle the volume of data required to track the rate assistance programs; the computers frequently crash.

The computer equipment used by the Office intake representatives to record applicant information appears overloaded on the software that tracks data for each rate assistance program. Intake representatives wait a minute or more for a screen to come up or to change. This slows staff productivity, a particularly acute problem since the number of Office staff has been reduced, and the applicant load has increased. With better or different equipment, the Office could process applications more quickly and a higher volume could be accommodated. The Office has requested an improved system, which is being developed as part of a larger public-access software project. The improved system is expected to be operational in March 2003.

**Suggestion.** The Office should continue work on a technical solution to increase the speed of application processing for the intake representatives. Until the new system is operating, the Office should seek ways to minimize the barriers to staff productivity.

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### **Assessing and Recertifying Eligibility**

**Observation #5:** It would be easy to falsify information on applications, especially for the rate 26 program. Other than requiring senior customers to sign the application forms attesting to the truth and accuracy of the information and warning of penalties for false statements, there is little supervision or verification by the Mayor's Office for Senior Citizens management of the determination of eligibility made by the intake representatives.

Customers become eligible for the rate assistance programs based on household income, age or disability status, rent, and residency. Documentation requirements vary for the three rate assistance programs.

- For rate 26 (the program serving seniors and persons with disabilities) the applicant fills in blanks on an application form stating income from wages, interest, investments, and all other sources for all persons in the household. Although the application states the penalty for falsifying statements, for seniors their signature is the only verification of the validity of the information they provide on the form. Persons with disabilities must submit a doctor's verification of their disability, and proof of income from a disability assistance program such as the federal Social Security Income (SSI) Program.
- For rate 27, applicants must submit a photocopy of their identification card, copies of wage statements for the three months before the application date, and a copy of their rental agreement.
- For Project Share, applicants provide information about their income, housing and other living expenses in a phone interview with an intake representative. Fifty percent or more of applicants have been previously qualified through a more rigorous application process for public housing, rate 26 or 27, or federal assistance programs. The intake representative makes a judgment about the veracity of the information provided by the applicant.

The Office has not yet established a practice or procedure for verifying the accuracy of the information provided by senior applicants as it does for applicants who are disabled. While the photocopied documents required for rate 27 provide reliable evidence, the signed application form for rate 26 could be easily falsified. Assistance provided to ineligible customers under rate 26 or 27, adds to the rates of all other users who subsidize the programs or it unfairly depletes the donated funds of Project Share.

The Office intake representatives function very independently, following general procedures and guidelines. They may consult with each other, but their decisions are not reviewed nor evaluated by any second party such as a supervisor. Thus there is no control in place to check for the possibility that an intake representative could make an inappropriate decision about eligibility for rate 26 or rate 27 applicants or could authorize awards under Project Share that don't meet the guidelines. A supervisor's review of an application could identify the need for additional training for an intake representative.

Intake representatives indicated that once they entered a Project Share award amount into the CCSS/Banner system, it could be changed by someone in the Human Services Department, Seattle City Light, or Seattle Public Utility's Call Center who all have access to the CCSS/Banner system. The Director of the Seattle City Light Customer Relations and Account Services unit said Seattle City Light is in the process of expanding the existing controls for the CCSS/Banner system and its users. The current controls include:

- A full-time trainer who provides periodic training on policy and procedures to employees who interact with CCSS/Banner;
- Standard procedures that require employees to make a note to the customer account when they communicate with the customer or when they make a change to the account;

- Instructions to employees to print the screen and talk to a supervisor if they notice anything unusual about a particular account;
- Read-only access for directors who have access to CCSS/Banner; and
- A requirement that if the rate assistance client is a Seattle City Light or the Human Services Department employee, only a supervisor can approve the client's enrollment in the program.

Seattle City Light and Seattle Public Utility are planning for upgrades to the CCSS/Banner system including audit functions such as recording the identity of any employee opening an account record.

**Suggestion.** The Office should consider establishing procedures to verify a sample of senior rate 26 applicants to determine the current accuracy rate. If the verification shows a pattern of inaccurate applications, it should establish additional controls. Alternatively, the Office management should assess the risk of not doing additional verification, and make a conscious decision about what level of risk is acceptable and what controls are required to mitigate the risk to maintain that acceptable level.

Also the Office should consider additional controls regarding the appropriateness of decisions made by intake representatives and over the security of those decisions once entered into the CCSS/Banner system.

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## Conclusion

At this time, we see nothing to indicate a need to do further audit work on the Low-Income Rate Assistance Programs. The Mayor's Office for Senior Citizens seems to be trying to implement possible efficiencies because of the consolidation of staff administering rate 26, rate 27, and Project Share. The Office is generally managing the rate assistance programs effectively.

We intend to revisit the issue of outreach to the eligible population when the census data on income by household size is published (expected March 2003). When that data is known, we will have a better sense of the size of the eligible population, and how well the City is reaching the population eligible for rate assistance.

If you have any questions or comments, please contact Mary Denzel, Auditor-in-Charge at (684-8158) or Susan Cohen at (233-1095).

cc: Seattle City Councilmembers  
Andrew Lofton, Chief of Departmental Operations, Mayor's Office  
Tom Rasmussen, Director, Mayor's Office for Senior Citizens  
Selina Chow, Aging, and Disabilities Services Operations Manager, HSD  
Carol Dickinson, Director, Seattle City Light Customer Relations & Account Services  
Mary Denzel, Assistant City Auditor, Office of City Auditor



## Memo

Date: November 11, 2002.

To: Joan Walters, Carol Dickinson, (City Light); Barbara Evans, (MOSC) Kristine Broome (MOSC)

From: Tom Rasmussen (MOSC)

Subject: Project Procedures Inquiry

Here is a summary of my understanding of the discussion between us on October 4, 2002.

1. Data Collection and Reporting

Beginning this week we will provide an Excel spreadsheet with Project Share pledges and other information to Bob Peck. If you would like it sent to others, please advise.

2. Access to Banner (CCSS maintenance access) needed for MOSC staff

Our request for access to Banner was implemented last week

3. Help for Working Families/Outreach Activities

It was agreed that it would be good to receive a list of disconnection or shut off notices to permit us to do proactive outreach but this has not occurred.

4. What are the current policies and practices relating to disconnect notices and actual disconnects?

5. Agreed Upon Project Share Procedures and Guidelines Questions.

We have agreed to the following policies and procedures relating to the Project Share and Emergency Low Income Assistance (ELIA) Program:

- a. Project Share will only be available to customers with annual gross total household incomes of 70% or less of state median.
- b. Project Share will be available to a customer once every twelve months.
- c. Project Share customers must pay at least 10% of the amount owed to City Light.
- d. After satisfying the above requirements Project Share will pledge an amount sufficient on the balance on the account to bring the account current.

6. We have questions on the following matters

- a. What is the maximum that is now being paid from ELIA is it \$200 or more? It is our understanding that the previous City Light limit of a maximum of \$400 owed no longer applies to be eligible for ELIA. Customers owing more than \$400 will be eligible for ELIA.

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## Office of City Auditor's Report Evaluation Form

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Your feedback helps us do a better job. If you could please take a few minutes to fill out the following information for us, it will help us assess and improve our work.

\* \* \* \* \*

Report: **Improving Rate Assistance Services for Low-Income Seattle City Light Customers**

Release Date: January 30, 2003

Please rate the following elements of this report by checking the appropriate box:

	<b>Too Little</b>	<b>Just Right</b>	<b>Too Much</b>
Background Information			
Details			
Length of Report			
Clarity of Writing			
Potential Impact			

Suggestions for our report format: \_\_\_\_\_

\_\_\_\_\_

Suggestions for future studies: \_\_\_\_\_

\_\_\_\_\_

Other comments, thoughts, ideas: \_\_\_\_\_

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Name (Optional):

\_\_\_\_\_

Thanks for taking the time to help us.

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